

REMARKS/ARGUMENT

This paper is responsive to the Office Action mailed February 25, 2004. Claims 1-64 are pending. Claims 1, 19 and 27 have been amended for clarification purposes only, without narrowing the claims. Claims 1, 19, 27, 37, 48, 59 and 61-64 are independent claims.

The Examiner is requested to initial and return the form PTO/SB08B that was filed with the Information Disclosure Statement dated January 30, 2004. A copy is enclosed for the convenience of the Examiner. In the February 25, 2004 Office Action, claims 1-64 were rejected under 35 U.S.C. § 103 as obvious from U.S. Patent 6,282,521 (Howorka) in view of U.S. Patent 5,136,501 (Silverman I) and U.S. Patent 5,924,083 (Silverman II). Applicants traverse and submit that the independent claims are patentable for at least the following reasons.

In an anonymous trading system, the parties do not know the identity of counterparty bids and offers that they see displayed on their screens. To assure that trading only takes place with counterparties with which a party is willing to trade, each party trading on the system will set credit limits for trades with all other possible counterparties on the system. Such a system will screen the bids and offers that are displayed to any given trading floor to eliminate those with which the trading floor does not have sufficient credit. Thus, the only bids and offers that are displayed to a trading floor are those which the party and counterparty can deal, taking into account the credit limits. These credit limits can be updated, for example, at the beginning of each trading day by a bank's trading floor administrator. An example of such a trading system is shown in U.S. Patent 5,375,055 to Togher et al.

In a conventional anonymous trading system, at the completion of each deal, the amount of the deal is subtracted from the credit limit for further deals with the same counterparty. However, in the conventional system, the sense of the deal, that is whether it is a buy or sell, is not taken into account. Thus, if a bank has credit of \$100M with another bank, sells \$50M to that other bank and then buys back \$50M, the credit limit is adjusted by \$50M each time so that the total credit usage is \$100M. In other words, there is no credit left and no further deals can be done with that party until the credit limit is adjusted.

The conventional manner of adjusting credit limits does not represent the actual position of the parties or take into account the parties' actual exposure. That is, in the above trade, since the bank has sold \$50M and then bought \$50M back, the net position is actually zero. Yet in the conventional system, if the credit limit had been set to \$100M, no more trading could take place between the parties.

The present invention, as defined by the independent claims, on the other hand, takes into account the sense of a trade so that a buy trade has the opposite effect on the credit limit to a sell trade. As a result, the total exposure with regard to credit is based on a netting of trades between the traders.

As a result of the claimed structure or steps, *credit limits* are adjusted based upon a netting of trades. This is to be contrasted with, and is different from, the known netting of *monies* owed by one party to another at *settlement* so that if both parties owe each other money after a series of trades, only the balance is actually transferred.

The claimed invention advantageously enables more trading within the same credit limit, thereby increasing revenues generated from trading. As a result, a bank does not need to allocate as much credit to the trading system for a given amount of trading activity as it would have to in the prior art. A bank will trade across a broad range of systems and markets and credit in any one of those will be allocated from a general credit pool. By reducing the

amount of credit that needs to be allocated to one system, such as in the present invention, there is more credit available for allocation elsewhere and hence an increase in the bank's ability to trade.

The Howorka system filters out quotes with which a trading floor does not have credit so that the market distributors only distribute "dealable" quotes, that is quotes relating to parties having sufficient credit to be dealt with as to that quote. In Howorka, the market maker (the party that submitted a visible quote into the market) receives an indication when that quote is at the head of any counterparties dealable quotes. In other words, they are notified when their quote is the best dealable quote available to one or more counterparties. This notification is in the form of the quote turning red on the trader's screen.

Silverman I teaches a system in which bids are automatically matched against offers for trading counterparties taking into account counterparty credit limits. The Office Action appears to rely upon Silverman II for the feature of adjusting credit limits based on a netting of trades, as is claimed, and specifically cites col. 5, lines 5-18 as allegedly teaching this feature. That is, the Office Action states that Silverman II "teaches modifying credit limits during trading activities which may be the result of trade netting."

However, this portion of Silverman II contains no teaching or remote suggestion that credit limits are adjusted in accordance with the change in exposure that results from a netting of trades. This portion merely shows that credit limits may be changed at any time by any trading entity, just as in the conventional system discussed above. As was discussed above, the present invention adjusts credit between a party and a counterparty after each trade between them, taking into account the sense of the deal for each trade. The cited portion of Silverman II contains no such teaching. Accordingly, even if the references were to be combined in the manner suggested in the Office Action, the features of the independent claims would not be met. Accordingly, those claims are believed clearly patentable over the

cited references.

Independent claim 63 recites, inter alia, a credit engine that comprises a credit adjuster for varying the credit available to a party for further trades by the amount of an executed deal, the amount of available credit being varied in an opposite direction for a buy deal to a sell deal. This adjustment has similar advantages to the credit netting feature recited in the other independent claims and is neither taught nor suggested in Howorka, Silverman I or Silverman II. Claim 64 recites a similar feature and is believed patentable for similar reasons.

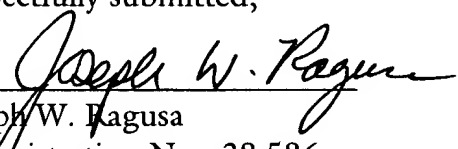
The other claims in this application are each dependent from one or another of the independent claims discussed above and are therefore believed patentable for the same reasons. Since each dependent claim is also deemed to define an additional aspect of the invention, however, the individual reconsideration of the patentability of each on its own merits is respectfully requested.

In view of the foregoing amendments and remarks, Applicants respectfully request favorable reconsideration and early passage to issue of the present application.

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Respectfully submitted,

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